

Background

The Federal Deficit Reduction Act of 2005

Signed into law in 2006, the Deficit Reduction Act allows states to use Medicaid funds to customize their Medicaid programs.

Under this act, states can tailor benefit packages to certain populations; charge premiums or co-pays to Medicaid recipients whose incomes are over a certain amount; enforce co-payments (deny services to those who refuse to help pay); and offer more home care as an alternative to nursing home care, which previously required special permission through a waiver.

But before a state can participate, it must show a commitment to making its Medicaid program sustainable. It must show that it has a credible plan to contain health care costs, reduce the number of uninsured citizens, and improve the efficiency of health care delivery.

Recommendation #10: What is a Connector?

One of the Blue Ribbon Commission's recommendations is to establish a health insurance exchange or connector. A connector is an entity that provides one-stop health insurance shopping for individuals and small businesses.

A connector would be available to all Washington State residents and would facilitate the buying, selling and administration of private health insurance coverage. The exchange would act as a virtual stock market for health insurance in Washington State with insurance companies of all sizes competing for one of the largest consumer consortiums in the country.

Benefit plans offered by a connector could include the Basic Health Plan, Medicaid, a combination catastrophic and prevention plan (like a health savings account plus a high deductible health plan) and other customized health plans. Workers whose employers use the connector can buy portable, individual health insurance with pre-tax income. It could provide an affordable way for companies to contribute toward the health coverage of their part-time employees. A connector could help the state identify people and companies who need help with insurance premiums. Providing premium assistance is a much more cost-effective way to provide health coverage than simply paying medical costs outright for the uninsured.

A Connector would offer health insurance that sticks to the person and not the job. It would offer new avenues for pre-tax contributions to health insurance, a central health insurance market for small groups and individuals and would reduce administrative costs and paperwork for employers.

A Connector would increase health insurance coverage for Washington State, significantly lower prices in the individual coverage market; and offer more flexibility and choices for employers and employees.

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